

Fiscal Note Request HB0671, As Amended - House Transportation Committee

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Revenue Changes

5. The proposal is effective January 1, 2006, or midway through FY 2006. FY 2006 impacts are estimated based on when each vehicle type is registered, unless a fee is imposed uniformly throughout the year, then FY 2006 impacts under the bill are calculated at 50 percent (50%) of a full years impacts.
6. Section 10 of the proposal removes the requirement for manufactured homes to be issued a certificate of title. This will decrease titling fee revenues by \$10.00 each time a manufactured home would be issued a certificate of title. Currently, \$5.00 of the \$10.00 is deposited to the state general fund, and the remaining \$5.00 is deposited to the state special revenue account for motor vehicle information technology.
7. Approximately 1,400 manufacture homes are registered each year. 75% of manufactured dwellings registered from July through December, therefore FY 2006 impacts are estimated to be 75% of a full years impact.
8. Removing the requirement for manufactured homes to be issued a certificate of title will *reduce* both general fund and the state special revenue account for motor vehicle information technology by \$5,250 (1,400 x \$5.00 x 75%) in FY 2006, and \$7,000 (1,400 x \$5.00) in FY 2007.
9. Section 47 of HB 671 provides for a temporary registration permit (TRP) fee of \$3.00 when issued by the Department of Justice (DOJ), an authorized agent, or a county treasurer; or if a TRP is issued by the department, an authorized agent, or a county treasurer for a non-resident who acquires a motor vehicle in this state, or a for a TRP using a department-approved electronic interface the fee is \$8.00. These TRP fees are to be deposited in a motor vehicle electronic commerce enterprise account.
10. Approximately 150,000 TRP's were issued in calendar year 2004 (DOJ). For purposes of this fiscal note, it is assumed that the number of TRP's are issued uniformly throughout the year, the absolute number issued remains constants into the future, and that 90 percent (90%) are issued to Montana residents by DOJ, an authorized agent, or a county treasurer.
11. Per assumptions #9 and #10, the motor vehicle electronic commerce enterprise account would *increase* by approximately \$262,500 ((150,000 x 90% x \$3.00 x 50%) + (150,000 x 10% x \$8.00 x 50%)) in FY 2006, and \$525,000 ((150,000 x 90% x \$3.00) + (150,000 x 10% x \$8.00)) in FY 2007.
12. Owners who transfer plates to another vehicle under current law are not required to pay registration fees under 61-3-321, MCA. The proposal strikes language in 61-3-321(8) and 61-3-317, MCA, that provides for this exemption.
13. It is estimated that approximately 70,500 light vehicles, heavy vehicles, motorcycles, trailers, motor homes, and travel trailers have licensee plates transferred each year. It is projected that under current law this exemption will *increase* general fund revenue by approximately \$0.700 million (\$1.4 million x 50% half year) in FY 2006, and \$1.4 million in FY 2007.
14. The proposal changes the registration date from being based on when a vehicle was first registered, to when ownership is transferred (section 58), effectively eliminating the prorating of fees and taxes (section 89). The estimated difference between prorated taxes and fees and full year tax and fee amounts is \$900,000. Because a vehicle will now pay the full year amount when reregistered under new ownership, the general fund is estimated to *increase* by \$450,000 (\$900,000 x 50% half year) in FY 2006, and the full year amount of \$900,000 in FY 2007.
15. Additionally, HB 671 eliminates the collection of back taxes for a vehicle not registered in the year previous to the current registration application. State back tax collections are approximately \$420,000 each year. Removing back taxes is estimated to *decrease* general fund revenue by \$210,000 (\$420,000 x 50% half year) in FY 2006, and the full year amount of \$420,000 in FY 2007.
16. Sections 60 and 61 provide that DOJ will be responsible for fleet registrations, instead of DOT. Additionally, section 61 provides that fleet vehicles will no longer pay a \$7.50 fee in lieu of the fees in 61-3-321, MCA. Currently, DOT keeps \$4.50 of the \$7.50 fee, and the remaining \$3.00 is deposited to the general fund.

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17. Under the proposal, since most fleet vehicles registered weigh more than 2,850 lbs, they will pay the heavy vehicle registration in 61-3-321, MCA, of \$22.00. This will increase the registration fee on fleet vehicles by \$14.50. This change will increase general fund revenue by \$19.00 (\$22.00 - \$3.00) for every fleet vehicle registered.
18. DOT Motor Carriers Division registered approximately 900 vehicles in tax year 2004. It is assumed that the number of vehicles registered as fleet vehicles will remain constant into the future.
19. Per assumptions #16 through #18, section 61 of the proposal by removing the \$7.50 fee in lie of the normal registration rates in 61-3-321, MCA, will *increase* general fund revenue by \$8,550 (900 x \$19.00 x 50% half year) in FY 2006, and \$17,100 (900 x \$19.00) in FY 2007.
20. HB 671 provides for a special motorcycle license plate (61-3-415 and 61-3-527, MCA) fee of \$30.00 to be distributed \$5.00 to the county general fund, \$5.00 to the state general fund, and \$20.00 to the special revenue account for grants to Montana children who are chronically or critically ill. No motorcycle plates were issued under this section in tax year 2003 or tax year 2004, most likely because under current law the motorcycle would have to annually register (while all other motorcycle registrations are permanent). The proposal allows permanent registration under these sections of law. Although the change would positively impact the state general fund, the fiscal impacts of the change are unknown since this is an optional donation. However the positive state general fund impacts are expected to be nominal.
21. Total general fund revenue under the proposal is estimated to *increase* by **\$943,300** (-\$5,250 + \$700,000 + \$450,000 - \$210,000 + \$8,550) in FY 2006, and **\$1,890,100** (-\$7,000 + \$1,400,000 + \$900,000 - \$420,000 + \$17,100) in FY 2007.
22. Revenue to the state special revenue account for motor vehicle information technology (per assumption #8) is estimated to *decrease* by \$5,250 in FY 2006, and \$7,000 in FY 2007.
23. Revenue to the motor vehicle electronic commerce enterprise type of proprietary fund (per assumption #11) is estimated to *increase* by \$262,500 in FY 2006 and \$525,000 in FY 2007.

Administrative Impacts

24. Monies deposited in the motor vehicle electronic commerce enterprise account - an enterprise type of proprietary fund, would be expended for costs directly incurred in operation, maintenance, and enhancement of electronic commercial applications, including payments to third-party vendors. Operating costs would increase approximately \$262,500 in FY 2006 and \$525,000 in FY 2007.
25. DOJ through the TEAM 261 project approved by the 2003 Legislative body will accomplish efficiencies provided by HB 671, without increasing state general fund operating costs in the 2007 biennium.

FISCAL IMPACT:

	<u>FY 2006</u> <u>Difference</u>	<u>FY 2007</u> <u>Difference</u>
<u>Expenditures:</u>		
Operating Expenses	\$262,500	\$525,000
 <u>Funding of Expenditures:</u>		
Other – Enterprise Type of Proprietary Fund(06)	\$262,500	\$525,000
 <u>Revenues:</u>		
General Fund (01)	\$943,300	\$1,890,100
State Special Revenue (02)	(\$5,250)	(\$7,000)
Other – Enterprise Type of Proprietary Fund (06)	\$262,500	\$525,000

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Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

General Fund (01)	\$943,300	\$1,890,100
State Special Revenue (02)	(\$5,250)	(\$7,000)
Other – Enterprise Type of Proprietary Fund (06)	\$0	\$0

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

The proposal changes the registration date from being based on when a vehicle was first registered, to when ownership is transferred (section 58), effectively eliminating the prorating of fees and taxes (section 89), *including county option taxes*. The estimated difference between prorated county option taxes and full year county option taxes is \$334,000. Revenue generated from county option taxes is estimated to *increase* by \$167,000 (334,000 x 50% half year) in FY 2006, and the full year amount of \$334,000 in FY 2007.

Additionally, HB 671 eliminates the collection of back taxes for a vehicle not registered in the year previous to the current registration application. County back tax collections are approximately \$154,000 each year. Removing back taxes is estimated to *decrease* county revenue by \$77,000 (\$154,000 x 50% half year) in FY 2006, and the full year amount of \$154,000 in FY 2007.

HB 671 as amended provides for a special motorcycle license plate (61-3-415 and 61-3-527, MCA) fee of \$30.00 to be distributed \$5.00 to the county general fund, \$5.00 to the state general fund, and \$20.00 to the special revenue account for grants to Montana children who are chronically or critically ill. No motorcycle plates were issued under this section in tax year 2003 or tax year 2004, most likely because under current law the motorcycle would have to annually register (while all other motorcycle registrations are permanent). The proposal allows permanent registration under these sections of law. Although the change would positively impact county revenues, the fiscal impacts of the change are unknown since this is an optional donation. However the positive county general fund impacts are expected to be nominal.

Total revenue from county option taxes is expected to increase by \$90,000 (\$167,000 - \$77,000) in FY 2006, and \$180,000 (\$334,000 - \$154,000) in FY 2007.

LONG-RANGE IMPACTS:

The proposal will simplify the administration of motor vehicle regulations, registrations, and associated registration fees and taxes assessed into the future. The general fund would continue to see an additional \$1.9 million each year under the proposal.

TECHNICAL NOTES:

1. Analysis of the motor vehicle database indicates that motor vehicle registration fees are not always assessed and collected in a consistent manner statewide. This makes estimating fiscal impacts difficult, especially if the proposal change show taxes and fees are administered at the local level. This bill does clarify and streamlines the administration of taxes and fees. In the future, the bill by simplifying and streamlining administration of motor vehicle taxes and fees will level, or make revenue streams from this source more consistent.
2. Under section 58, 61-3-321(new 7), the language could be clarified that *only* the \$5 new plate fee under 61-3-321(new 3) are exempt when plates are transferred to another vehicle. (see assumptions #12 and #13)

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3. Sections 58 and 89 (subsection 2) specifies that the registration fees, fees in lieu of tax, and local option taxes are due in full for the current year upon transfer of ownership. The language could be more precise and inclusive. For example, “any and all taxes and fees are due in full when any vehicle is registered”.
4. Section 98, under 61-3-562, MCA, which provides for permanent registration for light vehicles, removes the language providing for five times the fees *imposed* for the \$1.00 junk vehicle disposal fees under 15-1-122(3)(a), MCA, the \$1.50 for weed control fees under 15-1-122(3)(b), MCA, and the \$1.00 former county motor vehicle computer fees under 61-3-511, MCA. Because these fees are not *imposed*, DOJ interpreted this to mean that they should not assess these fees on permanently registered light vehicles. However, transfers to the agencies under 15-1-122, MCA, include these amounts to be transferred. HB 671 does not remove the transfer language associated with these fees under 61-3-321, MCA. The fiscal note does not show any fiscal impact with striking this reference to the fees since current assessments do not include these amounts.
5. Sections 126 and 127, when specifying all vehicle types should include motorcycles, quadricycles, and off-highway vehicles in the description.
6. HB 87 also changes fleet vehicle registration responsibility from Department of Transportation (DOT) to the Department of Justice (DOJ). SB 285 is a proposal that would also significantly amend motor vehicle statute, including fee and statutes. SB 318 revises registration and licensing for quadricycles. If HB 87, SB 285, or SB 318 and HB 671 pass, coordination language would be necessary.